

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4449-03
Bill No.: SCS for SB 1215
Subject: Liability; Insurance - Medical
Type: Original
Date: March 9, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Conservation Commission Insurance Plan	Unknown	Unknown	Unknown
Highway and Patrol Medical Plan	Unknown	Unknown	Unknown
Other Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Division of Budget and Planning, COA - Division of Risk Management/General Services, Department of Insurance and Department of Social Services** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of the proposal on their organization.

Officials from the **Missouri Department of Transportation (DOT)** state currently Section 104.270 RSMo Supp.2002 and Section 14.01 of the Highway and Patrol Medical Plan document requires reimbursement for third party liability for medical claims paid by the Highway and Patrol Medical Plan. However, this proposal would go beyond Section 104.270 and Section 14.0 by allowing MHTC/DOT and the Highway and Patrol Medical Plan to subrogate and to require assignment.

ASSUMPTION (continued)

Although this proposal does not allow DOT to receive any more than the actual medical claims paid by the Medical Plan, the proposal would allow MHTC/DOT and the Highway and Patrol Medical Plan to file suit against a third party without including the subscriber or member in the suit or have the covered person assign his or her claim or cause of action against the third party to the Highway and Patrol Medical Plan.

As a result, this proposal could have a positive fiscal impact on the Highway and Patrol Medical Plan in situations where the DOT is currently unable to get reimbursement of medical claims paid when the participant does not make a claim against the third party or when the participant chooses to deny continued benefits under the Highway and Patrol Medical Plan. This proposal would have no fiscal impact if the Medical Plan would receive reimbursement of all medical claims paid when a third party is involved.

This legislation also requires payment of an attorney lien for expenses before payment of any lien provided by Section 208.215 and permits courts to reduce and apportion the lien proportionate to the recovery by the covered person. Further, Section 208.215, while providing a lien, would prohibit the lien being imposed against certain property. As a result, it is possible that the Medical Plan's recovery amount could be lower than what is currently in place.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state because events that may result in subrogated claims are unpredictable, it is very difficult to forecast the potential savings this proposal may yield.

In a February 2000 study, using the Inter Study National HMO Financial Database, the subrogation/Coordination of benefits (COB) rate for 1997 was \$1.38. Employing this PMPM rate results in a 2004 HCP potential savings of \$545,006 when applied to HCP's current 32,911 self-insured membership.

HCP officials note this is a rough estimate as the \$1.38 PMPM figure is several years old and could be different today. The figure refers to subrogation and COB and the proposal only refers to subrogation. No updated estimates were found.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal could have a positive impact on MDC's self-insured health plan. The amount of impact is unknown.

Oversight assumes some cost savings could be passed on to the State, but is unable to determine that amount. **Oversight** also assumes other public entities could experience cost savings.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings</u> - Reduction in cost of benefits	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
CONSERVATION COMMISSION INSURANCE PLAN			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION INSURANCE PLAN*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
MISSOURI HIGHWAY AND TRANSPORTATION COMMISSION (MHTC) - HIGHWAY AND PATROL MEDICAL PLAN			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON MHTC - HIGHWAY AND PATROL MEDICAL PLAN *	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>
OTHER FUNDS			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON OTHER FUNDS*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
FEDERAL FUNDS			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
* Savings could exceed \$100,000.			

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
LOCAL PUBLIC ENTITIES			
<u>Savings</u> - Health benefit reimbursements from third party tortfeasors	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL PUBLIC ENTITIES*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
* Savings could exceed \$100,000.			

FISCAL IMPACT - Small Business

Small businesses that are self-insured could have a positive fiscal impact as a result of this proposal.

DESCRIPTION

This proposal provides that public entities which provide or pay for medical benefits for their employees and dependents under a plan of self-insurance shall have the same rights and obligations and be subject to the same remedies as the Department of Social Service and Medicaid are, as provided in Section 208.215. That section allows the Department of Social Services to recover payments from third parties for the payment of medical bills. The proposal provides that the proposal shall not apply to limited benefit supplemental health insurance policies paid entirely by an employee of the public entity.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Budget and Planning
 Division of General Services/Risk Management
Department of Social Services
Missouri Department of Transportation
Missouri Consolidated Health Care Plan
Department of Public Safety -
 Missouri State Highway Patrol
Department of Insurance
Missouri Department of Conservation



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